

Before the
Federal Communications Commission
Washington, DC 20554

In the matter of:

Notice of Proposed Rulemaking

Schools and Libraries Universal Service
Support Mechanism

WC Docket No. 13-184
CC Docket No. 02-6

**COMMENTS ON THE NOTICE OF PROPOSED RULEMAKING
FOR THE SCHOOLS AND LIBRARIES UNIVERSAL SERVICE MECHANISM
(FCC 13-100)**

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Introduction

E-rate Provider Services respectfully submits these comments in response to the Federal Communications Commission's ("Commission" or "FCC") Public Notice regarding the Notice of Proposed Rulemaking for the Schools and Libraries Universal Service Mechanism, commonly known as the E-Rate Program. E-rate Provider Services is a consulting firm serving Service Providers in the E-rate program. E-rate Provider Services' purpose is to assist E-rate Service Providers in navigating the complexities of the program, providing sales and compliance assistance, cost allocation services, bid and proposal review, and staff training.

General Comments

Program Purpose

E-Rate Provider Services begins its comments with the assertion that in large part, the E-Rate Program is doing what it has been tasked to do, which is, provide voice, video, and data networks to schools and libraries, and connect them to the Internet and to each other. Listening to the Senate Commerce Committee hearing on July 17, 2013, and the FCC Open Commission Meeting on July 19, 2013, it was striking that a significant portion of the conversation was directed at refocusing the program on providing higher speed broadband connectivity, which is not one of the pieces of the program that is in any way broken.

Contrary to the "strong evidence and growing consensus" cited in Paragraph 5, E-Rate Provider Services disagrees that E-Rate needs to "sharpen its focus". E-Rate Provider Services notes that any applicant can go through the process and receive a discount on a high-bandwidth connection to the outside world, and within reason, they can receive any speed connection they require. There has never been an application for Internet bandwidth denied for a lack of funding in the program, and yet many applicants self-report that their Internet bandwidth is not sufficient. Assuming it is available to them, E-Rate Provider Services believes there can be only two reasons for this: either they cannot afford it, or they do not want it. In the former case, the economics of dwindling public sector budgets force harsh choices, and the benefit of a faster Internet connection may not be readily apparent. In the latter case, an applicant may judge that they do not have the ancillary resources to take full advantage of the faster connection, be it untrained teachers, a lack of connected devices, or a curriculum that does not emphasize online resources.

The issue of reaching underserved areas is more complicated. Bringing connectivity, other than satellite, to truly remote areas is prohibitively expensive, and satellite technology lags significantly behind copper and fiber in most connectivity measurables*. At the end of the day, in some places satellite Internet is the only choice, and meeting the stated bandwidth goals set forth in the NPRM will be a daunting task.

**An informal search of commercial satellite Internet providers revealed a range of download speeds from 10 to 15 mbps and a small monthly total download allotment.*

E-Rate Provider Services comments that in the above cases, the program is working exactly as intended. Applicants are tasked with performing a self-assessment and making a “bona-fide” request, and audits are performed to ensure that applicants are compliant. Regarding external (“building to Internet”) connectivity, E-Rate Provider Services comments that there are no structural changes to the program that will increase penetration or bandwidth if the applicant judges they cannot afford it, or cannot effectively use it, and the program should not encourage applicants to “over buy.” In short, this portion of the program is working as intended.

Finally, E-Rate Provider Services comments that it is the internal (“in building”) bandwidth that the program has not addressed effectively. Every year, many requests for internal connections go unfunded, to the detriment of the program, and with inadequate internal networks, applicants cannot take advantage of higher-speed external connectivity. In fact, USAC audits check for internal networks sufficient to take advantage of higher school external bandwidth, and enough devices to utilize the bandwidth. In short, mismatched internal-external capacity is cause for an audit finding, and potential funds recovery.

Financial Realities

E-Rate Provider Services comments that K12 infrastructure funding comprises two portions: the applicant portion and the federal/E-Rate portion, represented by the very simple equation: applicant portion + federal portion = total available funding.

At its simplest level, lowering any portion of discount rate requires the affected applicants to contribute more, or suffer a reduction in overall funding. Likewise, reducing the eligibility of certain core functions will have the same effect. E-Rate Provider Services comments that pruning the Eligible Service List to remove antiquated services is a good thing, and will encourage applicants to switch to more advanced services, which is consistent with the core program mission. However, removing core services such as Basic Maintenance will have the overall effect of reducing an applicant’s total available funding, which may cause them to pare back other services.

Fundamentally, applicants need voice, video, and data networks that comprise four basic characteristics: they must have sufficient bandwidth to handle advanced services; they must be available when needed, they must be secure, and they must be service rich. Bandwidth alone is not enough. E-Rate Provider Services comments that emphasizing one element (external bandwidth) at the expense of the others will not yield the results for which the FCC is hoping. Rather, in difficult budget times applicants will be forced to scale back their requests in order to make up the difference; in other words, applicants need maintenance and security services whether they are eligible or not.

E-Rate Provider Services cautions that a Rulemaking that both reduces the discount rate, as numerous commenters have suggested, and eliminates core services is, in effect, a “double hit” to the applicants’ budgets, and will not promote positive movement toward the laudable goals set forth in the NPRM. E-Rate Provider Services advises small steps to ameliorate the impact.

Finally, the “elephant in the room” is the fact that there is not nearly enough funding in the program to accomplish the goals the FCC has embraced. Many commenters will try to wordsmith

this in various ways, but, simply put, in the words of one of my most respected colleagues, absent significant additional funding, we're "rearranging the deck chairs on the Titanic." The program needs more funding, and the small changes proposed will not materially alter that fact.

Throughout the NPRM, the Commission asks various questions about altering Priority 2, including focusing or streamlining the Priority 2 portion of the ESL, eliminating services, etc. E-Rate Provider Services comments that unless Priority 1 is reduced or capped, or more funding is found, it will not matter. In other words, new rules about dividing a funding pool of zero will have no effect. E-Rate Provider Services comments that finding Priority 2 funds is critical.

E-Rate Provider Services finds it concerning that raising the funding cap was not addressed in the NPRM until items 173 and 174, and contends that this single issue dwarfs all others in importance, and will make or break the success of the other changes.

Competition

E-Rate Provider Services comments that competition in the E-Rate Program is a positive force, and in general will drive down prices and can give applicants a wider variety of options from which to choose when making purchasing decisions. In many sections of the NPRM, the FCC asks about changes to the program that can increase competition, purchasing efficiency, and reduce waste, fraud and abuse, and E-Rate Provider Services dedicates this section to various comments that speak to this topic.

The Priority System

E-Rate Provider Services comments that the current system of assigning Priority by service type, that is, some services are classified as Priority 1 and some are classified as Priority 2, stifles competition, and ironically in some cases drives costs UP, rather than down. For example, under current program rules an applicant may choose an extremely expensive cellular data plan to serve their in-class needs rather than a much more cost-effective managed wireless solution because the managed wireless solution is categorized as Priority 2 and is highly unlikely to get funded. Applicants reason, with cause, that their percentage of a much more expensive solution is less than 100% of a less expensive solution. In short, the Priority system is skewing the market and preventing innovation, fair competition, and E-Rate Provider Services believes that this accounts for a great deal of the growth in aggregate Priority 1 requests.

E-Rate Provider Services concludes that the artificial Priority 1 / Priority 2 divide, by restricting cost-effective choices, is serving neither applicants nor the program.

Procurement

E-Rate Provider Services comments that the 470 alone does not contain enough information for a Service Provider to respond with a proposal for services if the services requested are at all complex. Often, the following elements are missing from an informal 470 that would be present in the more formal RFP:

- Specific locations of services sought
- Building diagrams
- Description of the applicant's existing network
- Proposal response format
- Proposal response due date
- Availability of building walk-throughs
- Additional details

E-Rate Provider Services comments that the issue comes into sharper focus when a service provider attempts to contact the applicant to inquire about any or all of the above, and one or more of the following things occur, at an alarming rate:

- The applicant simply does not respond
- The applicant tells the service provider they have supplied enough information
- The applicant tells the service provider that they already have a provider chosen

The FCC posed the question of why so many applicants cite few responses to their Forms 470, and one reason is that some service providers, after years of participation in the program, realize that if they are not the incumbent provider, or at least have a relationship with the prospective applicant, their chances of winning the business dwindle dramatically, and they simply elect not to invest the time and resources necessary to assemble a proposal they deem has little to no chance of selection. A non-responsive applicant is often enough to cause a service provider to conclude they have no chance, and simply move on to the next opportunity.

E-Rate Provider Services comments, in the above cases, that the applicant has abrogated their responsibility to conduct a fair and open procurement, and suggests the following remedies:

Require an informal RFP for all procurements*

An informal RFP would establish a higher level of information requirements necessary for service providers to develop a reasonable, cost-effective response. Such criteria should include question and answer periods, a response timeframe, response format, evaluation criteria, and a "paper trail" that the service provider could point to if they suspect procurement malfeasance of any sort, and would give better access to the proper technical information of the district in question.

**For all procurements over a certain de minimus value.*

Targeted Applicant Training

Applicants have an affirmative responsibility to answer the questions of service providers, and provide adequate information to allow a provider unfamiliar with the applicant to compete on an even footing. E-Rate Provider Services suggests that the FCC direct USAC to further emphasize applicant responsibilities for conducting open and fair procurements in applicant trainings and collateral training materials.

Contribution and Regulatory Classification

E-Rate Provider Services comments that there is momentum toward allowing different types of providers to provide services previously reserved for contributing Telecommunications Providers (TPs), and generally, E-Rate Provider Services philosophically supports such a shift. However, E-Rate Provider Services comments that paragraph 248 is unclear, and somewhat concerning:

“We propose to amend section 54.502 and the ESL to remove the regulatory classifications of telecommunications services and Internet access to allow applicants to seek eligible services from any entity.”

E-Rate Provider Services comments that the contribution rules drive the classification of service. For example, if an applicant wishes to purchase a point-to-point circuit, the circuit itself is considered a telecommunications service, and the provider is required to charge, collect, and pass along the USF fees associated with such a circuit, which requires filing Forms 499A and 499Q, etc.

E-Rate Provider Services is unclear whether the FCC proposes to reclassify services now considered telecommunications services, like point to point WAN circuits, as non-telecommunications services? This would imply that any provider can supply those circuits without needing to charge and collect a USF fee on those services?

If this interpretation is correct, E-Rate Provider Services unreservedly supports such a change.

This raises several issues:

- Does this reclassification only pertain to K12 or is this a general and significant “sea change” in the way the FCC views telecommunications services?
- Does this proposed change cover all services currently listed as Telecommunications services, including voice or video?
- Does this proposed change cover all classes of customers, or just K12 and libraries?
- And finally, if no services are considered Telecommunications services, from where will funding for the USF come?

However, E-Rate Provider Services assumes the above interpretation is incorrect in some way, and makes the following suggestion as a way to achieve a similar end without dismantling the foundation of the regulatory framework.

Exempt E-Rate applicants from having to pay USF charges.

If applicants become exempt from having to pay USF fees, and the regulatory classification is removed, it has the following significant benefits:

- Places telecom and non-telecom providers on a more even competitive footing.
 - Requiring some providers to charge USF fees while other do not for the same services is, on its face, patently unfair. Creating a targeted exemption would eliminate that disparity.
- Places fiber providers, copper providers, cable providers, and all other technology providers on an even technological footing, ultimately giving more choice to the applicant to choose the technology or topology that best meets their needs.
- Eliminates the responsibility of applicants to cost-allocate the administrative portion of the WANs if purchased under the Internet Access category.
- Obviates the presumption that a service that crosses a public right-of-way is a telecommunications service; in large urban districts, often school buildings are located across the street from one another. A short fiber connection or point to point wireless connection may be more cost-effective than a leased solution from a telecom provider.

Finally, the contribution rules are complicated, unclear, and administratively burdensome; the discussion about whether a particular type of service falls under the contribution umbrella is often a significant barrier to entry. By removing the contribution requirement, and the administrative burden and financial penalty for applicants for choosing a particular technology, the program becomes both simpler to administer and more equitable.

Eligibility – Products and Services

E-Rate Provider Services comments that applicants need voice, video, and data networks with the following characteristics, at the simplest level:

- Speed – they must be fast enough to deliver robust services
- Reliability – they must be available when needed
- Security – applicants maintain sensitive staff and student information
- Robust – applicants require more than bandwidth; they need services and content.

In addition, services are deemed eligible if they are both cost-effective and serve an “educational purpose”. It is with these characteristics in mind that E-Rate Provider Services comments on the eligibility of the following products:

Cellular Phone Service and Cellular Data Plans

Cell phone service should be allowed for administrators and mobile employees only. Cellular data plans should be disallowed altogether. They are simply not cost-effective, and E-Rate Provider Services urges the FCC to maintain focus for services which take place on school grounds.

Wireless Access Points, whether applicant owned or provider owned, are an exponentially more cost-effective solution.

Data Security

The FCC should reverse its longstanding prohibition on funding advanced firewall services, including virus protection. Simply put, if the network is not secure, it doesn't work. Basic firewalls, while better than nothing, are insufficient to protect networks from threats from within and without. The market for hardware-based line-speed firewalls has matured so that the delta between a basic firewall and a firewall with advanced features is very small.

Basic Telephone Service, Legacy Services, and Hardware PBXs

E-Rate Provider Services agrees with SECA that POTS, Centrex, hardware PBXs and other legacy voice services should be discontinued. The purpose of the program is to bring advanced services to schools and libraries; POTS no longer qualifies.

E-Rate Provider Services also comments that the purpose of the program is to encourage advanced services, but if a remotely located applicant does not have advanced services available, those (hopefully) few applicants should be able to obtain a waiver to continue to receive funding for POTS services. In short, if they have a choice, they should migrate to advanced services, but if they do not, they should not be punished.

E-Rate Provider Services further comments that the FCC should, without hesitation, adjust the Eligible Services List to encourage the adoption of current technologies, which means discouraging the use of antiquated technologies.

Advanced Voice Services

E-Rate Provider Services comments that there is a marked difference between cloud-based, hosted Voice over IP systems, and legacy voice system, detailed above. Hosted VoIP is an advanced telecommunications service, and should be fully funded. Aside from providing highly functional voice communications, many soft switch manufacturers, such as Broadsoft, provide integrated videoconferencing functionality.

Lateral Dark Fiber Connections and Special Construction Costs

For an applicant to have a true choice between different technologies, the eligibility rules must treat them equally. Put Dark Fiber and Lit Managed Fiber on an equal footing by funding lateral build and special construction costs for dark fiber.

E-Rate Provider Services further comments, based upon informal conversations with fiber providers, most do not consider the Brooklyn Decision requiring the amortization of build out costs over three years to be a significant burden or disincentive.

Priority 1 Managed Wireless

Priority 1 Managed Wireless is a provider-owned service that delivers 802.11x service into a school or library by installing cabling, wireless access points, and requisite network electronics. All management of the service is done by the provider, and the applicant does not take title of the equipment, with the exception of the horizontal data cabling, which would be “abandoned in place” at the end of the term, since used cabling has no value.

To effect this change, it would require a waiver for the Tennessee Test, because in effect this would be the applicant’s local area network; it would no longer be severable and distinct, as required for all current Priority 1 service.

The strongest argument for this change is the overwhelming cost-effectiveness of the solution. Right now, an applicant can purchase a cellular data plan for a wireless device for approximately \$40.00 per student per month, not including any data overage charges, if applicable. Simply put, \$480.00 per student per year is not cost-effective, especially when compared to the \$25.00 to \$30.00 per student per YEAR estimated cost range for the Priority 1 Managed Wireless solution.

E-Rate Provider Services comments that this is a particularly extreme illustration of the broken parts of the program. By current program rules, cellular data plans are eligible, and Priority 1 Managed Wireless is not, despite the vast difference in cost.

E-Rate Provider Services was tempted to contravene its own “applicant choice” principles and advocate a “Priority 1 Managed Wireless for Everyone” solution. E-Rate Provider Services believes that if this technology becomes eligible as a Priority 1 service, it could change the landscape of K12 technology infrastructure by providing a highly cost-effective, high-bandwidth method to bring in-building networking to every school and every library. Further, in Paragraph 7, regarding the ConnectEd initiative, E-Rate Provider Services believes that a fundable, Managed Priority 1 Wireless solution is the fastest and most-cost-effective way to achieve the stated goal of *“high-capacity wireless connectivity within those schools and libraries within five years.”*

In Paragraph 27, the NPRM seeks comment on in-building wireless bandwidth goals, and E-Rate Provider Services comments that the Priority 1 Managed solutions being advocated will deliver one to one device support, exceeding 1 mbps per student, ubiquitous throughout the building.

In sum, E-Rate Provider Services believes that this offering is a potential “game changer” for the program, and has the capability of solving one of the most daunting challenges posed in the NPRM, which is, how to bring high-speed wireless connectivity to devices within the school.

Basic Maintenance

E-Rate Provider Services commented at the beginning of this section that applicants need reliable networks, and whether or not maintenance is an eligible service, applicants will purchase maintenance contracts on their equipment. A non-functional network serves no purpose. E-Rate Provider Services therefore comments that Basic Maintenance services should continue to be funded.

Further, E-Rate Provider Services recommends that the clarifications outlined in the 6th Report and Order and subsequent documents be rescinded, and that basic manufacturers warranties, such as Cisco's SmartNet or Fortinet's Forticare, be reinstated as 100% eligible.

While E-Rate Provider Services appreciates the principles that contributed to the 2010 rulemaking in question, in practice the rulings accomplished little while adding significant administrative burden for service providers and applicants alike. Formerly eligible products were cost-allocated, removing the ineligible fixed-price hardware break-fix, and in many cases new products were created, often with very little cost savings. It turned out that in most cases the hardware portion was a small percentage of the overall price, generally between twenty to thirty percent, and the rules allowed the money to be recovered with time and materials billing for broken parts. E-Rate Provider Services estimates that the new rules saved the program very little if any actual money. Plus, invoices for actual submissions required signed logs of technician visits, including time in a time out. In other words, more work for the service providers, the applicants, and the SLD.

Bundling

The FCC has shown a tendency toward allowing services to be considered eligible when bundled with other services, but not as standalone services, and E-Rate Provider Services disagrees with this approach almost unilaterally. For example, firewall services are eligible as Priority 1 services when purchased with the connecting bandwidth, but not separately. There is language in the ESL that states that certain video and distance learning services can only be funded if they are contracted with an eligible telecommunications service, and currently awaiting adjudication is a prospective ruling that states that ancillary Internet Access services, such as chatting and blogging, can only be purchased from the Service Provider that is supplying the applicant's main web site.

E-Rate Provider Services comments that such an approach is anti-competitive, stifles innovation, and is especially damaging to applicants who use state networks for their Internet bandwidth. State networks often provide bandwidth but little else; this ruling effectively denies those applicants access to more advanced telecommunications features. Bluntly, E-Rate Provider Services cannot think of any arguments FOR such a stance.

Finally, E-Rate Provider Services comments that the "best of breed" approach allows more service providers to compete for business. Applicants always have the option of purchasing services on a bundled basis on their own, but they should not be forced into it.

E-Rate Provider Services urges the FCC to reverse this language.

Specific Applicant Allowances

E-Rate Provider Services comments that proposals that dictate the quantities of specific Priority 2 products applicants are allowed to purchase, such as the SECA proposal, will create a significant administrative burden on USAC. In practice, E-Rate Provider Services imagines a version of the 2/5 Tool, but covering multiple parts. Difficulties arise when USAC is forced to assign one or more categories to each product, and E-Rate Provider Services can envision scenarios where applicants may need more flexibility in product allotments.

In general, E-Rate Provider Services believes USAC should avoid this level of applicant oversight.

Web Hosting, Email, and Associated Services

E-Rate Provider Services comments that not only are web hosting, email, and associated services a very small percentage of the overall program, they are excellent educational tools, and frankly the only services funded by the program that excite educators. E-Rate Provider Services comments that although web hosting and email services lie outside the core mission of the E-Rate Program, removing them from the ESL will have negligible financial impact, and cautions the FCC against defunding some of the core tools that directly involve the teachers who need to use the technology. Teacher involvement will drive schools toward the higher bandwidth goals.

Discount Calculation

In its NPRM Response, dated July 28, 2010, E-Rate Provider Services raised the idea of moving from a weighted discount to a simpler, district- or consortia-wide discount. As other commenters have weighed in favorably, E-Rate Provider Services reiterates its previous proposal, with slight modifications as some aspects of consortia discount calculation have become apparent.

Calculate School Discounts based upon a District's Simple Average

The simple formula of (Total Eligible Students / Total Students) should be used for all schools in district, absent the exceptions detailed below. Please note that this method requires the elimination of the "Rural" designation, which would greatly complicate mixed (Urban/Rural) applications. This raw score would be compared against a discount matrix, as illustrated below:

Revised Discount Matrix

E-Rate Provider Services suggests revising the Discount Matrix to create more bands to prevent fewer, larger bands of applicants, and presents the following examples to demonstrate the finer control possible:

NSLP SA%*	Example #1	Example #2	Example #3	Example #4
1-9%	30%	25%	20%	20%
10-19%	40%	30%	25%	20%
20-29%	50%	40%	30%	25%
30-39%	60%	50%	40%	30%
40-49%	65%	60%	50%	40%
50-59%	70%	65%	60%	50%
60-64%	75%	70%	65%	60%
65-69%	80%	75%	70%	65%
70-74%	82%	78%	72%	68%
75-79%	84%	80%	74%	70%
80-84%	86%	82%	76%	72%
85-89%	88%	84%	78%	74%
90%+	90%	85%	80%	75%

*NSLP SA% = National School Lunch Program Simple Average

ESAs

Under this method, ESAs would be considered a single district for the purposes of discount calculation, regardless of where an individual school is located. They calculate a Simple Average across all of their schools, and compare it to a discount matrix as any other district.

Magnet Schools, Private Schools, Charter Schools

E-Rate Provider Services comments that schools not under the administrative aegis of the traditional municipal authority or an ESA must be calculated independently, as a single school or as a member of an overarching administrative state entity.

Libraries

Libraries would default to the discount percentage of the school district in which they are located.

Statewide Networks

Statewide Networks would calculate their discounts using the Simple Average of all eligible students in the state divided by all students in the state. Same principle on a larger scale.

Simple Average

E-Rate Provider Services comments that it contemplated suggesting a Simple Average as Discounted Percentage method*, but concluded that it would result in a dramatic discount reduction through the middle range of applicants and discarded the idea, although the simplicity was compelling.

**Meaning, out of a district of 1000 children, 620 were eligible for free or reduced lunch, that district would be eligible for a 62% discount.*

Applicant Funding Caps

There are multiple proposals for the FCC's consideration concerning a revision of the fundamental methodology the FCC uses to allocate E-Rate funds, including a "Per Entity" proposal E-Rate Provider Services submitted on July 28th, 2010, and Funds for Learning's excellent "E-Rate 2.0" proposal, and all of them have similar underlying assumptions:

Program Funds are Finite

The Funding Cap will not be removed entirely, requiring hard choices.

More Funding is Necessary

Current funding levels are insufficient to accomplish the FCC's stated connectivity goals.

In-Building Infrastructure is Critical

High-Bandwidth connections to applicant locations with inadequate or absent in-building networks will not advance the FCC's connectivity goals.

E-Rate Provider Services comments that absent significant structural changes to either the funding mechanism or the funding cap, Priority 2 services will never be funded again, and the FCC will face, for the first time in program history, a Priority 1 funding shortfall. The FCC will be forced to choose to either deny some low-discount Priority 1 requests, or pro-rate all Priority 1 requests.

E-Rate Provider Services comments if the FCC believes that in-building infrastructure is a critical component of its long-term strategy, it must fundamentally change how funds are allocated. Implementing a "per student" or "per entity" funding cap, coupled with a revision or elimination of the current designation of some services as "Priority 1" or "Priority 2," would have the following significant benefits:

Promote Applicant Choice

Applicants would have the flexibility to choose the solutions that best fit their needs.

Guarantee Funding for All Applicants

All applicants, from the richest to the poorest, would receive funding.

Create a Permanent, Scalable Framework

After implementation, an applicant-based cap could be adjusted on a yearly basis without altering the framework, simply and easily.

E-Rate Provider Services comments that there are some logistical issues which must be addressed when considering a “per student” or “per entity” funding cap, including counting students that attend multiple schools, funding for libraries, and most importantly, state networks, but these are minor issues, and can be easily addressed.

E-Rate Provider Services comments the only significant flaw in the Funds for Learning E-Rate 2.0 proposal was treatment of state networks. Funds for Learning suggested that applicants be given the option of contributing some of their allotment to a state network, but E-Rate Provider Services disagrees with the viability of that approach. State networks need reliable participation and funding to be viable; if participants can “opt in” or “opt out” on a yearly basis, the model fails. In short, a system that institutionalizes contention for limited resources is doomed. E-Rate Provider Services feels strongly enough about the cost-effectiveness of state networks as a delivery vehicle that we suggest adopting a program-level “set-aside” to cover the portion allocated the state networks (\$200 to \$300 million?), and then implementing the Funds for Learning 2.0 proposal with the remaining funds.

Statewide Networks and Anchor Institutions

E-Rate Provider Services believes that state networks, such as CENIC and CEN, are a highly efficient method of delivering Internet bandwidth. Volume purchasing, an advocacy role in K12, and a high level of technical expertise yield a high value for every E-Rate dollar spent.

E-Rate Provider Services suggests that the role of state networks should therefore be expanded. Keeping with various open questions in the NPRM regarding consortia, rule changes could be made to encourage the adoption and growth of state networks, including the relaxation of rules regarding lateral dark fiber connections, simplifying the discount rate calculations, and unbundling services from bandwidth (all detailed above).

E-Rate Provider Services comments that the FCC should consider creating a state network set-aside, which is particularly important if it adopts any of the “per student” or “per entity” funding proposals currently under discussion.

E-Rate Provider Services also comments that there are multiple funding initiatives providing high-bandwidth services to different parts of the same communities, and that a thorough assessment of the various initiatives would reveal opportunities for synergy, coordination and, ultimately, cost-savings.

Summary

E-Rate Provider Services appreciates the opportunity to respond to the questions raised in the NPRM, and is pleased to provide input. E-Rate Provider Services has prepared its comments emphasizing program simplicity, encouraging fairness and competition, and advocating structural changes to create a more sustainable and scalable framework. In response to the FCC's call for prioritization, E-Rate Provider Services is pleased to supply the following summary of critical points.

Funding

As we approach Funding Year 2014, the E-Rate Program is significantly underfunded. Unless more funding is found, Priority 2 applications will never be funded again, and soon Priority 1 will see denials for threshold or proration. There are three things which can alter this (separately or together): an increase in the funding cap, an imposed cap on Priority 1 funds, or the elimination of high-cost Priority 1 services, such as cellular data plans.

In-Building Networks & Services

External bandwidth is only one part of the solution. Without security, internal networking, robust services, and reliability, external bandwidth is an unused highway.

Program Simplification

A districtwide or statewide discount calculation method will vastly simplify the program, saving applicants preparation time, USAC review time, and allowing for faster funding commitments.

Priority 1 Managed Wireless

In E-Rate Provider Services' opinion, the most cost-effective method to deliver high-speed in-building networking currently available.

Respectfully submitted,



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